



Australian Stock Exchange Announcement

CHAIRMAN'S ADDRESS

**Delivered at the 2006 Annual General Meeting
Tuesday 21 November 2006
1 King William Street, Adelaide**

Dear Shareholders

My fellow directors and I are proud to report to you on a year which saw Adelaide Resources achieving the satisfaction of reporting a resource estimate for its first potentially commercial mineral discovery.

An Inferred Resource for the Tripitaka Zircon Deposit in the Eucla Basin of South Australia was announced on 27 September 2006, almost precisely on the tenth anniversary of the company's stock exchange listing. Reaching this milestone has prompted a review of our ten year history. This analysis has shown that the resource at Tripitaka, an undisputed greenfields discovery, has come after the expenditure of around \$17 million on exploration of which \$6 million was in-ground expenditure of shareholder funds and the remainder was contributed by companies in joint venture with Adelaide Resources.

To achieve a respectable share in a discovery of the calibre of Tripitaka from the expenditure of this relatively modest amount of direct equity is a creditable achievement. It attests to the effectiveness of the company's long established strategy of seeking joint venture participation with major companies able to contribute specialised expertise and financing to selected projects.

The discovery of Tripitaka is exemplary with Iluka Resources, our joint venturer, becoming the recent recipient of Industry awards for exploration excellence.

Joint venture funding was again important in the 2006 financial year when exploration expenditure was a record \$3.2 million of which the company's share was \$1.3 million. Such spending ensures that drilling activity is maintained at a desirable level, as evidenced by the performance indicators in the Annual Report.

Tripitaka Zircon Deposit.

The resource reported for Tripitaka shows that approximately 600,000 tonnes of the total 1 million tonnes of heavy mineral (HM) occurs within the Colona Joint

Venture section of the deposit. Adelaide Resources' share equates to around 290,000 tonnes of HM of which an extraordinary 63% is estimated to be zircon and 6% to be rutile.

While valuation of the deposit must await the completion of a definitive feasibility study it is possible to gain an insight into the general level of sales revenue which may be generated from a mining operation by applying prevailing commodity prices.

At current bulk prices of around \$A1000 per tonne for zircon and \$A600 per tonne for rutile, potential sales revenue of nearly \$200 million may be computed for the company's share of production. Completion of project studies will establish the capital costs, metallurgical recoveries and operating costs of extracting the mineral products and thus the ultimate value of the project. Inherently, it is clearly a valuable asset for the company.

The zircon content of the heavy mineral concentrate is the highest discovered in the Eucla Basin to date and very likely the highest in the world for an existing resource of its size or greater. The zircon to titanium mineral ratio is over ten times the global average. This exceptionally zircon rich HM assemblage can result in the extraction of a high value zircon rich concentrate with only minor production of titanium minerals.

Iluka Resources Limited has recently earned its 51% interest in the Colona Joint Venture. Following this development the joint venture parties are currently discussing the nature and scope of studies required to determine the role that Tripitaka can potentially play in the orderly development of the rich zircon resources widely distributed in the basin.

Tripitaka has in its favour proximity to established infrastructure and the exceptional zircon content of its heavy mineral assemblage. The opportunity for early development of Tripitaka becomes more tangible if the joint venture parties decide that these advantages can potentially generate an attractive return on capital

It is intended that the company will maintain its working capital at levels which will ensure that there is sufficient liquidity to enable it to contribute its joint venture share of the cost of the ongoing project studies should it so decide. In addition the company will continue to contribute its share of expenditure on exploration within the large Colona Joint Venture area.

There is high potential for further discoveries in the Eucla Basin which is now a world-class zircon province. On the Colona Joint Venture tenements exploration has been restricted to the Ooldea Range which has been subjected to first pass exploration, while drilling is in progress in the Central Colona area. Exploration is yet to address other parts of the tenements considered prospective for further mineral sand deposits.

Zircon Market

The zircon market is strong, driven especially by construction booms in China and India. Global demand exceeded supply again in 2006 while Iluka has reported a 23% increase in its sale price this year, matching a similar increase in 2005. Bulk prices are reportedly up to \$US750 per tonne.

Industry forecasts show an increasing shortfall between supply and demand with a deficit expanding from as much as 100,000 tonnes in 2008. Developments in the Eucla Basin have the opportunity to close this supply gap.

Uranium Exploration

In the past two years there has been a strong increase in global uranium exploration driven by increasing demand and a significant rise in the uranium oxide price. The geology of South Australia has proved favourable to the occurrence of world class uranium deposits. By virtue of its substantial tenement holdings in key areas of South Australia, Adelaide Resources is fortunate to have secured geological settings which are prospective for a range of uranium mineralisation styles.

Consequently we are in the process of escalating our uranium exploration with the objective of ensuring that funds directed to the search for uranium constitute a much greater proportion of our overall exploration expenditure.

A major step in this planned escalation was the announcement this morning of the Eyre Peninsula Joint Venture with Quasar Resources Pty Ltd, an affiliate of Heathgate Resources Pty Ltd, the operator of the world's largest in-situ leach uranium mine at Beverley in South Australia.

This joint venture results in a minimum of \$750,000 per year being spent on exploration for palaeochannel hosted uranium deposits in the northern Eyre Peninsula, where the presence of this style of mineralisation has already been confirmed by past work.

Quasar has a high level of expertise in exploring for palaeochannel uranium as evidenced by their discovery in 2005 of the very promising Beverley 4 Mile deposit in joint venture with Alliance Resources. In this regard their access to advanced downhole geophysical technology will prove very advantageous.

We are extremely pleased to have this association with Quasar and Heathgate bringing to the joint venture this track record of recent exploration success and a high level of expertise in in-situ leach uranium mining.

While the joint venture with Quasar lays down a very solid foundation for this uranium thrust, Adelaide Resources is already active in its wholly owned uranium projects on the Gawler Craton, and this activity will also escalate in 2007. The company is poised to commence drilling in early 2007 at the Ethiopia Prospect in the Yalanda area of the Eyre Peninsula while other projects are progressing through earlier stages of evaluation.

This change of emphasis is warranted in the light of the buoyant uranium market and the perceived prospectivity of the company's exploration assets.

Other Exploration

Drilling at Rover this year did not result in the intersection of economic grade gold or copper mineralisation. It did however demonstrate that the ironstone and other forms of alteration are inherently enriched in these metals as evidenced by long intervals of low grade mineralisation, especially at Rover 4.

Although it was disappointing not to have achieved the desired result from this year's program, the existence of widespread low grade metal haloes remains encouraging. This poses the challenge of targeting higher grade zones which, in the Tennant Creek district, are relatively small but of very attractive grade. Our effort in 2007 will be directed towards this objective.

With the emphasis on other commodities, the Warramboe Iron Project has not received focussed attention this year. We remain convinced it has potential value and will continue to work towards realising it in a suitable manner.

Over the past two years the Board of Directors has been strengthened by the addition of three new members, the most recent being Mr Paul Dowd, a mining engineer with a wealth of management and mine development experience at a very senior level. Paul's advent is most welcome.

We believe we now have in place a Board with the requisite blend of exploration, mining and financial acumen to ably direct the company on its growth path.

With the emergence of Tripitaka we are on the way to delivering on our stated mission of creating shareholder value by minerals discovery.

In closing I would like to thank our small team of staff and consultants and my fellow directors for their dedication and commitment over the past year.

Most of all thanks must go to our shareholders for their continuing support, not only this year, but over ten years in the case of many on our register. Persistence by both management and shareholders is a key element in the recipe for exploration success.

We look forward to the coming year with a high level of enthusiasm.

A handwritten signature in black ink that reads "Keith Yates". The signature is written in a cursive, flowing style with a prominent loop at the end of the name.

Keith Yates
Executive Chairman.